



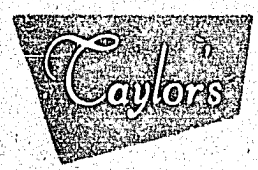
Branches:
CRENSHAW BLVD.
WILSHIRE BLVD.
LAKEWOOD



Branches:
CLAYTON
SOUTHTOWN



Branches:
ALLIANCE
BARBERTON
COSHOCOTON
CUYAHOGA FALLS
MANSFIELD
MASSILLON
ELYRIA-LORAIN



Branches:
NEW CASTLE, PA.
SALEM, O.
WARREN, O.
GRISWOLD CO., WARREN, O.

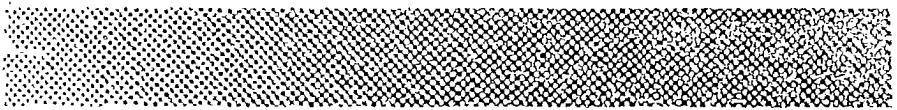


44

1954

ANNUAL
GENERAL
REPORT
CORPORATION
RECORDS
DIVISION

the



MAY

department stores company

In accordance with our usual practice, we are sending this report to you solely as a matter of general information with regard to a company with which we are associated.

GOLDMAN, SACHS & CO.

DIRECTORS

Lyle M. Allen
Walter J. Brunmark
Jerome Dauby
Nathan L. Dauby
David Geller
Alvin D. Goldman
Lincoln Gries
Edgar J. Kaufmann*
Oliver M. Kaufmann
Robert Lehman
Morton D. May
Morton J. May
Tom May
Wilbur D. May
Alfred L. Rose
Samuel Rosenberg
Walter E. Sachs
Fred Z. Salomon
Sydney M. Shoenberg
Leonard Strauss
Leo J. Wieck
Irwin D. Wolf

OFFICERS

Morton J. May, *Chairman of the Board*
Morton D. May, *President*
Walter J. Brunmark, *Vice-President*
Jerome Dauby, *Vice-President*
Nathan L. Dauby, *Vice-President*
David Geller, *Vice-President*
Lincoln Gries, *Vice-President*
Edgar J. Kaufmann, * *Vice-President*
Tom May, *Vice-President*
Wilbur D. May, *Vice-President*
Samuel Rosenberg, *Vice-President*
Fred Z. Salomon, *Vice-President*
Sydney M. Shoenberg, *Vice-President*
Leonard Strauss, *Vice-President and Secretary*
Leo J. Wieck, *Vice-President and Treasurer*
Irwin D. Wolf, *Vice-President*
William H. Fischer, *Assistant Treasurer*

APPOINTED VICE-PRESIDENTS

Thomas B. Faulkner
Oliver M. Kaufmann
Jerold S. Meyer
Leonard Novogrod
William B. Polay
Albert Rosenberg
David H. Scholl
David Touff
Alfred Triefus

ASSISTANT SECRETARIES

Robert A. Galbasin
A. C. Gay
Edwin I. Geller
L. L. Kinsey
Roland H. Kolman
Elden Rasmussen
J. C. Ritchie
Samuel J. Shaffer
E. T. Sonne
Harold R. Weinberg

TRANSFER AGENTS

For Common Stock
Irving Trust Company
New York, N. Y.
For \$3.75 Preferred Stock (1945)
The Chase Manhattan Bank
New York, N. Y.
For \$3.75 Preferred Stock (1947 Series)
Irving Trust Company
New York, N. Y.
For \$3.40 Preferred Stock
Bankers Trust Company
New York, N. Y.

REGISTRARS

For Common Stock
Bankers Trust Company
New York, N. Y.
For \$3.75 Preferred Stock (1945)
Irving Trust Company
New York, N. Y.
For \$3.75 Preferred Stock (1947 Series)
The First National City Bank of New York
New York, N. Y.
For \$3.40 Preferred Stock
Guaranty Trust Company of New York
New York, N. Y.

TRUSTEES

For 2% Sinking Fund Debentures due July 1, 1972
The Chase Manhattan Bank
New York, N. Y.
For 3 1/4% Sinking Fund Debentures due February 1, 1978
The First National City Bank of New York
New York, N. Y.:
For 3 1/4% Sinking Fund Debentures due March 1, 1980
St. Louis Union Trust Company
St. Louis, Mo.

* Died April 15, 1955


the
MAY
department stores
company

AKRON, OHIO

M. O'Neil Co.

Branches:

Alliance
Barberton
Coshocton
Cuyahoga Falls
Elyria-Lorain
Mansfield
Massillon

BALTIMORE, MD.

The May Co.

CLEVELAND, OHIO

The May Co.

Taylor's

DENVER, COLO.

The May Co.

LOS ANGELES, CALIF.

The May Co.

Branches:

Crenshaw Blvd.
Wilshire Blvd.
Lakewood

PITTSBURGH, PA.

Kaufmann's

ST. LOUIS, MO.

Famous-Barr Co.

Branches:

Clayton
Southtown

SIOUX CITY, IOWA

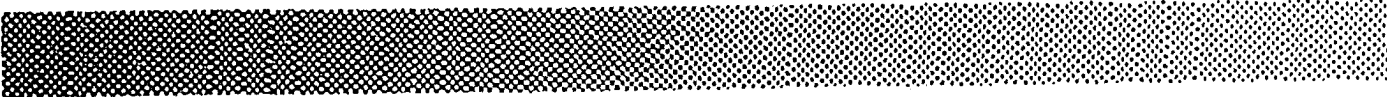
T. S. Martin Co.

YOUNGSTOWN, OHIO

Strouss Hirshberg

Branches:

New Castle, Pa.
Salem, Ohio
Warren, Ohio
Griswold Co., Warren, Ohio
The Sharon Store, Sharon, Pa.



ANNUAL REPORT

for the
fiscal year
ended
January 31, 1955

The YEAR in brief . . .

	Fiscal Year Ended January 31, 1955	Fiscal Year Ended January 31, 1954
Net sales	\$444,371,000	\$454,149,000
Federal taxes on income	\$17,837,000	\$17,553,000
Net income after taxes	\$16,996,000	\$16,490,000
Dividends paid	\$11,711,000	\$11,673,000
Earnings reinvested in business	\$5,285,000	\$4,817,000
Net income per common share	\$2.70	\$2.62
Dividends per share	\$1.80	\$1.80
Number of shares	5,898,954	5,840,927
Current assets	\$160,376,000	\$166,112,000
Current liabilities	\$55,865,000	\$53,422,000
Current asset ratio	2.87 to 1	3.11 to 1
Property, plant and equipment	\$102,095,000	\$91,419,000

letter to the stockholders

St. Louis, Missouri

May 3, 1955

To Our Stockholders:

Sales of The May Department Stores Company totaled \$444,371,000 during the year ended January 31, 1955 (our fiscal year 1954), as compared with sales of \$454,149,000 in the fiscal year 1953.

Earnings totaled \$16,996,000 with inventories calculated on the LIFO (last-in, first-out) basis. Earnings in the preceding year were \$16,490,000.

The Company earned \$2.70 per share of common stock, after deducting dividends on the preferred stocks. This compares with earnings of \$2.62 per share in the fiscal year 1953. Dividends per share of common stock amounted to \$1.80,

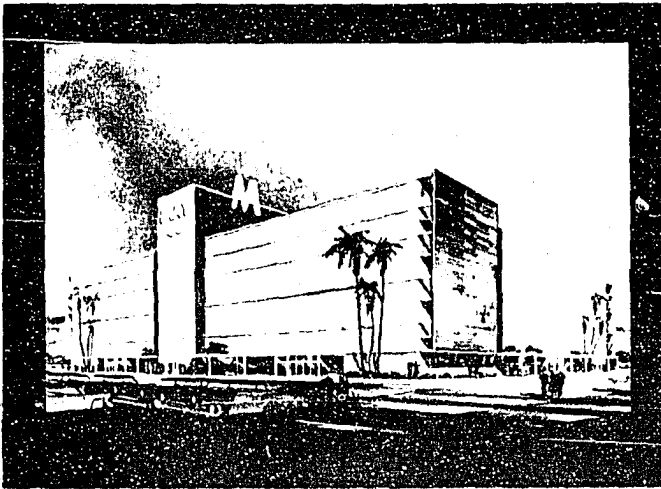
paid at the quarterly rate of 45 cents to the Company's 17,900 common stockholders.

Last year's decrease in consolidated sales was due in part to the decline in business activity, which affected sales at some of our stores during the first half of the year, and in part to a strike in Pittsburgh against the city's five largest department stores, including Kaufmann's. This strike, which involved several unions, did not close any of the stores, but it did hamper deliveries of merchandise to customers and, consequently, had an adverse effect on sales and earnings. The strike ended March 16, 1955.

Sales exceed 1953

in fourth quarter

Last year's sales, as compared with sales in the preceding year, began to decline in the first quarter



LOS ANGELES

Fourth branch of The May Company in Los Angeles, under construction in the San Fernando Valley, is scheduled to open in September.

and reached the low point of the year about mid-summer. However, sales during the latter part of the year offset earlier decreases to a considerable degree. While consolidated sales for the year were down 2.2 per cent, fourth-quarter sales were 6.3 per cent greater than in the corresponding period of fiscal 1953. This upward trend is continuing.

Working capital - \$104,511,000

Current assets less current liabilities amounted to \$104,511,000 at the close of the year, compared with \$112,690,000 at the end of the preceding year. The year-end ratio of current assets, \$160,376,000, to current liabilities, \$55,865,000 was 2.87 to 1, compared with 3.11 to 1 at the beginning of the year. This ratio reflects the excess of cash, merchandise inventories, and other liquid assets over current liabilities.

The decrease in working capital and in the current asset ratio resulted primarily from capital expenditures made during the year for plant improvement and expansion.

Following is a five-year comparison of working capital and its percentage relationship to sales:

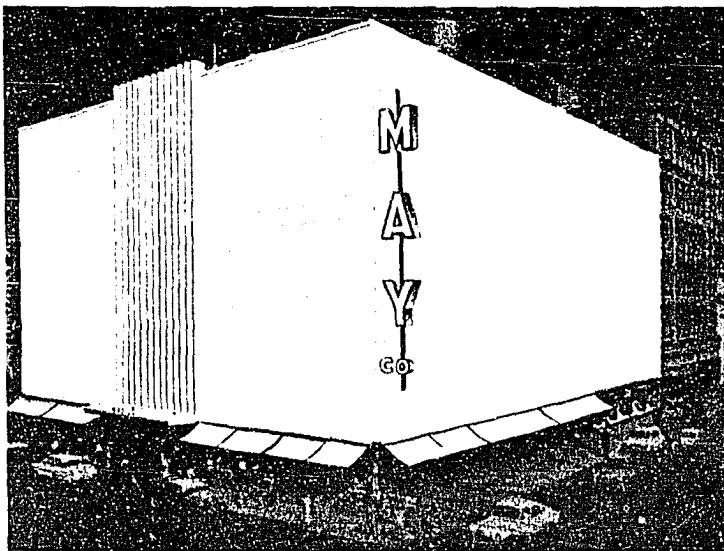
January 31	Working Capital	% to Sales
1955	\$104,511,000	23.5
1954	112,690,000	24.8
1953	97,946,000	21.9
1952	91,706,000	21.6
1951	94,491,000	22.7

No substantial change in accounts receivable

There was no appreciable change in the total amount of money owed the Company by its customers for merchandise delivered on credit. It amounted to \$74,104,000 on January 31, 1955, compared with \$71,137,000 on January 31, 1954.

Following is a summary of money owed us by customers:

	January 31	
	1955	1954
Regular retail accounts	\$45,125,000	\$45,764,000
Instalment accounts	28,979,000	25,373,000
	<u>\$74,104,000</u>	<u>\$71,137,000</u>
Less allowance for doubtful accounts and deferred carrying charges	5,942,000	5,597,000
	<u>\$68,162,000</u>	<u>\$65,540,000</u>

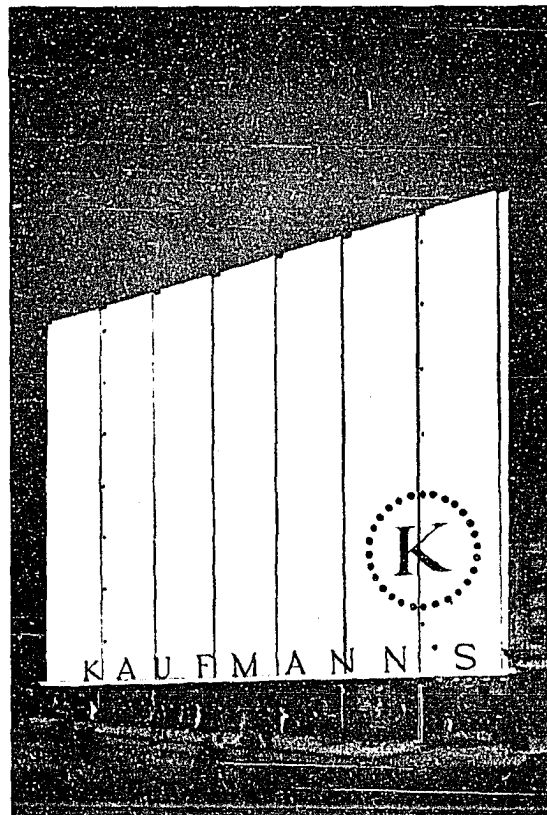


DOWNTOWN DENVER

The exterior of The May Company store in Denver was remodeled last year as the first step in a store-wide modernization program.

PITTSBURGH

Kaufmann's new addition in downtown Pittsburgh, which adjoins the store's main building, will be completed this summer.



The Company continued to maintain ample reserves against possible losses from accounts receivable. We also continued to follow a conservative policy on granting credit. Collections on accounts during the year were satisfactory.

Inventories - \$52,281,000

Merchandise inventories, which amounted to \$52,281,000 at the end of the year, were approximately the same as at the beginning of the year and were in balance with expected consumer demand. Commodity prices have stabilized during the past year and adequate supplies are available in all lines of merchandise. We do not expect any significant price fluctuations in the near future.

Income taxes - \$17,837,000

Earnings before taxes were \$34,863,000 for the fiscal year 1954. Federal taxes on income totaled \$17,837,000.

No final disposition has yet been made of the Company's claims for a refund of \$5,990,000 of Federal income taxes paid for the six fiscal years ended January 31, 1947. These claims are based

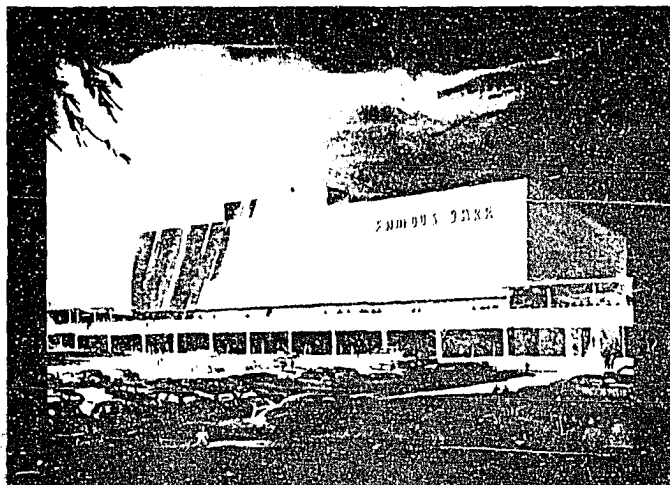
on the use of the LIFO (last-in, first-out) method of valuing inventories for the years following that ended January 31, 1941.

\$2,721,000 contributed to retirement plan

The Company contributed \$2,721,000 to the Employees' Retirement Plan of The May Department Stores Company during the year. The retirement plan was set up as of February 1, 1943, with the Guaranty Trust Company of New York as Trustee. As of December 31, 1954, 38 per cent of the funds were invested in U. S. Government securities, 39 per cent in corporation bonds, and 23 per cent in diversified common stocks. A total of 2,515 employees had been retired under this plan, as of the end of the fiscal year 1954.

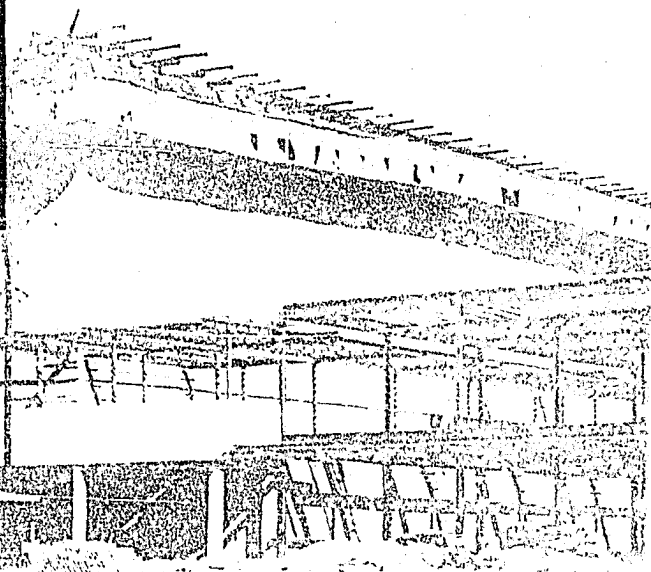
Stock contributed to May Foundation

The Company gave 5,000 shares of its treasury common stock to The May Stores Foundation, Inc., in 1954. The Foundation is a non-profit corporation which contributes to worthy charitable



ST. LOUIS

Famous-Barr Company's third branch store is under construction in the new Northland Shopping Center in St. Louis County. It is scheduled to open early in the fall.



and educational institutions. Among these are institutions in cities where our stores are located.

\$16,017,000 invested in expansion and improvements

We invested \$16,017,000 in land, buildings and equipment in fiscal 1954, as compared with \$13,000,000 in the preceding year. Depreciation charges for the year amounted to \$6,156,000. Rents paid to others for properties used by the Company amounted to \$2,140,000 as compared with \$2,078,000 in the preceding year. We own a relatively high percentage of our store buildings and warehouses and there is no debt against any of these properties.

Following is a five-year comparison of expenditures for land, buildings, and equipment and depreciation charges:

Year Ended January 31	Land, Buildings, Equipment	Depreciation
1955	\$16,017,000	\$6,156,000
1954	13,000,000	5,952,000
1953	4,454,000	5,622,000
1952	18,602,000	4,906,000
1951	5,982,000	4,533,000

At January 31, 1955, the remaining cost to complete projects now under construction was estimated at \$27,000,000. A major portion of this estimated cost is covered by contractual commitments.

Expansion program moving forward

Akron . . .

The O'Neil-Sheffield Shopping Center in north-east Ohio, the first shopping center to be owned and controlled by our Company, is now in full operation. Our M. O'Neil Company store in Akron, which manages this operation, opened a branch department store at the center in May, 1954, and the entire shopping center was formally opened last fall. In addition to the O'Neil branch, the center has 38 other stores and shops, most of them representing national or regional chains.

O'Neil's also completed the expansion of its parking garage in downtown Akron, more than doubling its capacity. This garage has four decks with a total of 1,100 parking spaces and is believed to be the largest parking garage in the



DENVER BRANCH

The May Company in Denver is building a branch store in the University Hills Shopping Center. The opening is planned for September.

country attached directly to a downtown department store.

Pittsburgh . . .

The basic structure of Kaufmann's new addition in downtown Pittsburgh has been completed and the installation of fixtures is close to completion. The addition, built on a site adjoining the original building, has 13 floors — ten above ground and three below — all of which will be used for selling. Seven of the new floors are now in use and the others are expected to be completed in July. Formal opening of the new building is planned for September, following completion of the necessary rearrangement and refixturing of expanded departments in the original building.

Full occupancy of the new addition will mark the completion of a major expansion project, begun in 1953, that has increased Kaufmann's selling space by approximately 40 per cent — from 484,000 to 684,000 square feet. In addition to the new building, it included the purchase and remodeling of a 19-story building on another adjoining site, which is now called Kaufmann's Service Annex.

Two parking garages are now under construction by the Pittsburgh Parking Authority and have been leased to Kaufmann's. One is an 860-car garage across the street from the store that will replace a smaller garage; the other is a garage with a 530-car capacity located two short blocks away. The smaller garage is expected to be in operation in June and the larger one is scheduled for completion in December.

Los Angeles . . .

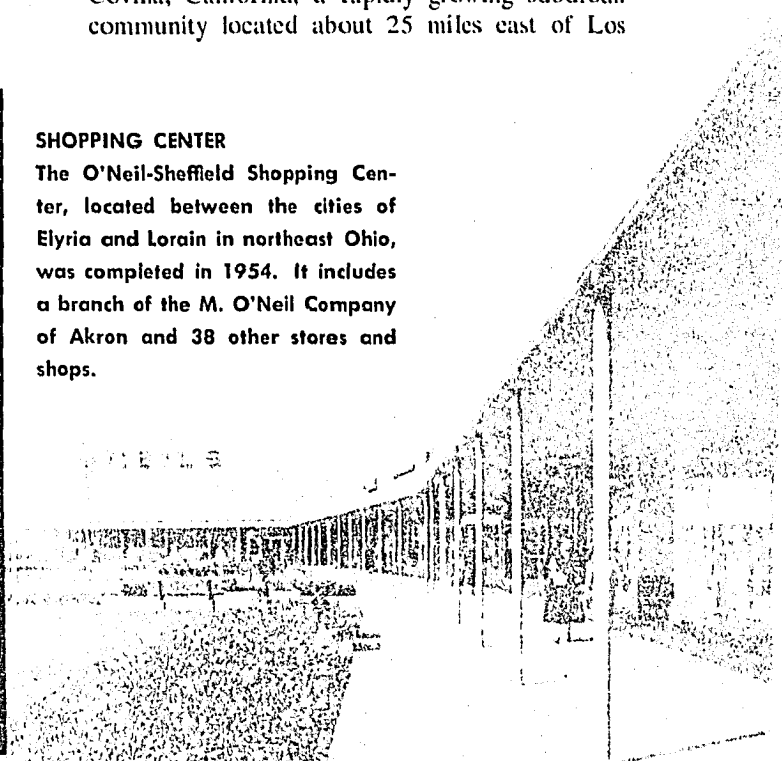
Construction of a fourth branch of The May Company in Los Angeles was begun in June, 1954, and is scheduled for completion in September. This store will have four upper floors and a basement, with a total area of 439,000 square feet. It will be the largest of our suburban stores and will have parking space for 3,000 automobiles. It is being built in the San Fernando Valley, a suburban area in the City of Los Angeles.

We have leased a site for construction at a later date of a fifth Los Angeles branch store in West Covina, California, a rapidly growing suburban community located about 25 miles east of Los



SHOPPING CENTER

The O'Neil-Sheffield Shopping Center, located between the cities of Elyria and Lorain in northeast Ohio, was completed in 1954. It includes a branch of the M. O'Neil Company of Akron and 38 other stores and shops.



Angeles in the San Gabriel Valley. The store will be part of a 55-acre shopping center.

St. Louis...

A third suburban branch of our Famous-Barr Company store is scheduled to open early next fall. This four-story branch will have an area of 337,000 square feet and will be the largest branch department store in the St. Louis area. It is being built as a part of the new 62-acre Northland Shopping Center, which will include 34 other stores and shops and have parking space for 5,000 automobiles.

Denver...

A suburban branch of The May Company in Denver is under construction in the University Hills Shopping Center. This new branch store will have two upper floors and a basement, with a total area of approximately 100,000 square feet. It is scheduled to open in September.

New store acquired in Youngstown area

We acquired The Sharon Store in Sharon, Pennsylvania, on November 1, 1954, through an ex-

change of 53,027 shares of our treasury common stock for all of the assets of the Sharon Store Company. The net book value of the Sharon Company's assets was approximately \$2,035,000 at the time of the transaction.

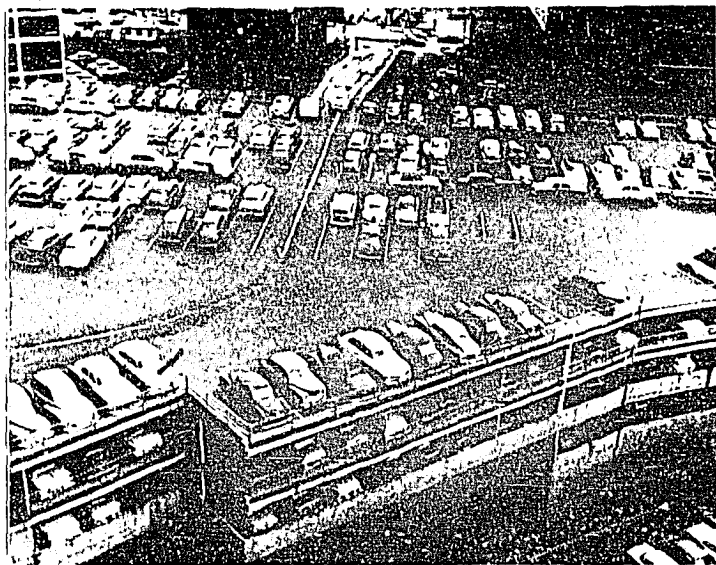
The Sharon Store is the leading department store in a trading area of approximately 100,000 population. It occupies a modern, air-conditioned building of four stories and a basement with 95,000 square feet of space. It will continue to operate under the name of The Sharon Store.

Company sells 3¼% sinking fund debentures

Shortly after the end of the year, we began negotiations for additional long-term financing. In March, 1955, we sold an issue of 3¼ per cent sinking fund debentures, due March 1, 1980, in the principal amount of \$25,000,000. The proceeds will be used to provide additional working capital and funds for our expansion program.

Present outlook

Our consolidated sales have been following an upward trend since last summer and, at the end

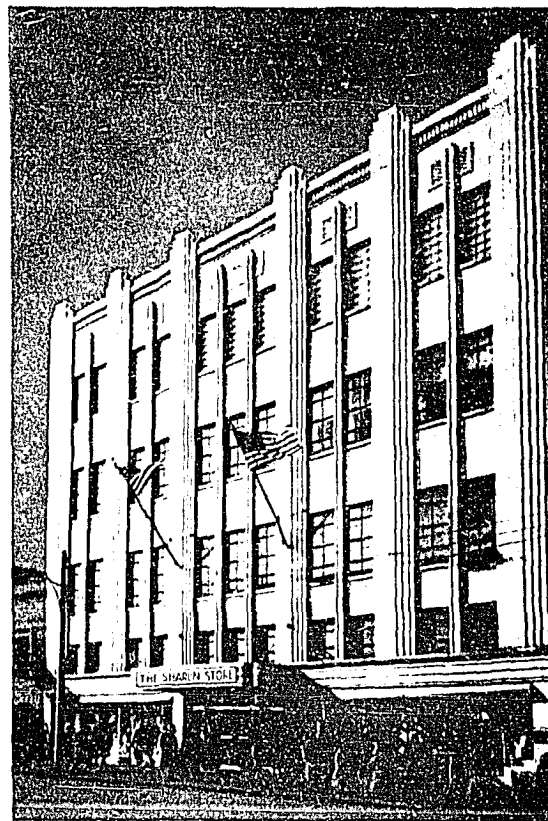


AKRON

Expansion of the M. O'Neil Company's parking garage in downtown Akron was completed in 1954. It now has four decks with a total of 1,100 parking spaces.

NEW STORE

The Sharon Store, leading department store in Sharon, Pennsylvania, became a part of The May Department Stores Company in November.



of the year, were running ahead of sales in the preceding year.

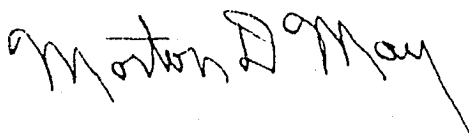
The strike in Pittsburgh, which had an adverse effect on Kaufmann's sales, has been settled and the store has returned to normal operations. In addition, Kaufmann's will soon begin to benefit from the completion of its expansion program.

New branch stores are scheduled to open in Los Angeles, St. Louis and Denver late in the summer. Their operation can be expected to increase our third- and fourth-quarter sales.

On the basis of these factors and barring any major economic disturbances, we believe that 1955 should be a good year for The May Department Stores Company.

I wish to thank the officers and employees of the Company for their continued cooperation during the year.

Respectfully,



MORTON D. MAY
President

In Memoriam

Edgar J. Kaufmann, a Vice President and Director of the Company, died on April 15, 1955. Mr. Kaufmann displayed a natural flair for retailing throughout his long and distinguished career. He played an important part in the development of Kaufmann's Department Store in Pittsburgh and rendered valuable service as a member of the Board of Directors of The May Department Stores Company. He was one of the nation's outstanding merchants, a devoted citizen of his home community of Pittsburgh, and a kind and generous human being. He will be deeply missed by all who knew him and particularly by his fellow officers, directors and business associates.

How we used our 1954 sales dollar

Cost of merchandise, payroll, and other expenses	87.8¢
Maintenance, repairs, depreciation	2.0
Rents for use of properties owned by others	.5
Interest and debt expense	.3
Federal income taxes	4.0
Taxes other than Federal income taxes	1.5
Dividends to common stockholders	2.4
Dividends to preferred stockholders	.3
Retained for use in business	1.2
	100.0¢



ASSETS

	JANUARY 31, 1955	JANUARY 31, 1954
CURRENT ASSETS:		
Cash	\$ 15,092,979	\$ 17,206,423
United States Government and municipal securities (aggregate quoted market prices 1955 — \$17,702,984; 1954 — \$25,419,899)	17,715,507	25,571,704
Customers' accounts receivable, less allowance for doubtful accounts and deferred carrying charges of \$5,942,031 (1955) and \$5,596,847 (1954) (Note A)	68,162,384	65,540,073
Other accounts receivable	2,703,083	2,553,126
Merchandise inventories (Note B)	52,281,426	51,134,903
Supplies and prepaid expenses	4,420,452	4,106,045
TOTAL CURRENT ASSETS	<u>\$160,375,831</u>	<u>\$166,112,274</u>
OVERPAYMENTS OF FEDERAL TAXES ON INCOME claimed for the six years ended January 31, 1947 as a result of the readoption of the LIFO basis (Note B)	<u>\$ 5,990,000</u>	<u>\$ 5,990,000</u>
INVESTMENTS AND OTHER ASSETS:		
Notes receivable (Note C)	\$ 4,821,896	\$ 1,479,927
Land and buildings not used in store operations — at cost, less accumulated depreciation	363,258	207,125
Miscellaneous	1,025,537	915,167
	<u>\$ 6,210,691</u>	<u>\$ 2,602,219</u>
PROPERTY, PLANT AND EQUIPMENT (Note D)	<u>\$102,095,257</u>	<u>\$ 91,418,841</u>
DEFERRED CHARGES — debenture expense and miscellaneous	<u>\$ 519,127</u>	<u>\$ 517,978</u>
GOODWILL	<u>\$ 1</u>	<u>\$ 1</u>
	<u>\$275,190,907</u>	<u>\$266,641,313</u>

See notes to financial statements.

... consolidated balance sheet

LIABILITIES

	JANUARY 31, 1955	JANUARY 31, 1954
CURRENT LIABILITIES:		
Accounts payable	\$ 20,561,273	\$ 19,243,690
Salaries, wages, bonuses and commissions	4,644,425	4,910,906
Federal taxes on income	26,233,089	25,080,484
Miscellaneous accrued liabilities	4,426,658	4,187,062
TOTAL CURRENT LIABILITIES	<u>\$ 55,865,445</u>	<u>\$ 53,422,142</u>
LONG-TERM DEBT (Note E)	<u>\$ 38,757,000</u>	<u>\$ 38,824,000</u>
MINORITY INTEREST IN THE PREFERRED STOCK OF A SUBSIDIARY	<u>\$ —</u>	<u>\$ 1,134,068</u>
STOCKHOLDERS' INVESTMENT:		
Cumulative preferred stock (Note F)	\$ 32,003,000	\$ 32,187,000
Common stock (Note G)	29,494,770	29,204,635
Additional paid-in capital	13,566,121	11,650,204
Accumulated earnings retained in the business (Note E)	105,504,571	100,219,264
	<u>\$180,568,462</u>	<u>\$173,261,103</u>
	<u><u>\$275,190,907</u></u>	<u><u>\$266,641,313</u></u>

See notes to financial statements.

ACCUMULATED EARNINGS RETAINED IN THE BUSINESS	YEAR ENDED JANUARY 31, 1955	YEAR ENDED JANUARY 31, 1954
Balance at beginning of year	\$100,219,264	\$ 95,311,865
Net earnings applicable to shares of parent company	16,996,400	16,490,317
Undistributed earnings to February 1, 1953 of a subsidiary not theretofore consolidated	—	89,595
	<u>\$117,215,664</u>	<u>\$111,891,777</u>
Cash dividends paid:		
\$3.75 cumulative preferred stock (1945) — four quarterly dividends of 93¾ cents each	\$ 515,344	\$ 525,291
\$3.75 cumulative preferred stock, 1947 series — four quarterly dividends of 93¾ cents each	310,151	316,798
\$3.40 cumulative preferred stock — four quarterly dividends of 85 cents each	345,906	352,844
Common stock — four quarterly dividends of 45 cents each	10,539,692	10,477,580
	<u>\$ 11,711,093</u>	<u>\$ 11,672,513</u>
Balance at end of year (Note E)	<u>\$105,504,571</u>	<u>\$100,219,264</u>
 ADDITIONAL PAID-IN CAPITAL	 YEAR ENDED JANUARY 31, 1955	 YEAR ENDED JANUARY 31, 1954
Balance at beginning of year	\$ 11,650,204	\$ 11,055,934
Excess of carrying value (\$100 a share) over cost of cumulative preferred stock repurchased	4,903	121,020
Excess of quoted market price over par value of treasury common stock contributed to The May Stores Foundation, Inc.	142,188	465,000
Excess of net assets of a subsidiary at date of acquisition over cost thereof	—	8,250
Excess of consideration received over par value of treasury common stock issued in the acquisition of The Sharon Store Company	1,768,826	—
Balance at end of year	<u>\$ 13,566,121</u>	<u>\$ 11,650,204</u>

See notes to financial statements.

... consolidated statements

NET EARNINGS

YEAR ENDED
JANUARY 31,
1955

YEAR ENDED
JANUARY 31,
1954

INCOME:

Net sales (including leased departments)	\$444,370,800	\$454,148,661
Interest and dividends	349,392	525,080
	<u>\$444,720,192</u>	<u>\$454,673,741</u>

COSTS AND EXPENSES:

Cost of merchandise sold (Note B), selling, operating, general and administrative expenses (less carrying charges to customers on instalment accounts), exclusive of items listed below	\$390,682,210	\$401,038,305
Maintenance and repairs	2,803,620	3,528,919
Depreciation and amortization	6,155,501	5,849,645
Taxes, other than those included in cost of merchandise sold, taxes paid by customers and federal taxes on income	6,828,556	6,731,330
Rentals (Note H)	2,140,172	1,954,882
Interest and debt expense	1,208,983	1,329,470
Miscellaneous deductions	38,176	152,193
Federal taxes on income	17,836,799	17,552,986
	<u>\$427,694,017</u>	<u>\$438,137,730</u>

NET EARNINGS	\$ 17,026,175	\$ 16,536,011
DEDUCT portion of net earnings applicable to minority interest in the preferred stock of a subsidiary	<u>29,775</u>	<u>45,694</u>

NET EARNINGS APPLICABLE TO SHARES OF PARENT COMPANY	<u>\$ 16,996,400</u>	<u>\$ 16,490,317</u>
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The figures for the prior year have been restated to conform with current classifications.
See notes to financial statements.

notes to financial statements

NOTE A - CUSTOMERS' ACCOUNTS RECEIVABLE

Amounts due from customers are as follows:

	JANUARY 31,	
	1955	1954
Regular retail accounts	\$45,125,409	\$45,763,436
Instalment accounts	28,979,006	25,373,484
	<u>\$74,104,415</u>	<u>\$71,136,920</u>
Less allowance for doubtful accounts and deferred carrying charges	5,942,031	5,596,847
	<u>\$68,162,384</u>	<u>\$65,540,073</u>

NOTE B - INVENTORIES

Merchandise inventories are stated at cost or market, whichever lower. Cost is determined on the LIFO (last-in, first-out) basis, using the retail inventory method.

Inventories are stated at January 31, 1955 and January 31, 1954 at \$14,348,000 and \$15,133,000, respectively, less than they would have been if the first-in, first-out principle had been applied in determining cost.

In the year ended January 31, 1942, the Company adopted the LIFO method of inventory valuation based on the use of statistical indices. Before the federal income tax return for that year was filed, the Treasury Department ruled that retail organizations, employing the retail inventory method, would not be permitted to use the LIFO method employing indices. In 1947,

the Tax Court of the United States, in a test case brought by another taxpayer, clearly established the right of retailers to use this method. Accordingly, the Company resumed the use of the LIFO method, effective with the year ended January 31, 1942. By application of the LIFO method, it is the Company's position that federal taxes on income for the year ended January 31, 1955 and prior years have been reduced by \$7,660,000. Of this amount, \$5,990,000 represents overpayments claimed for the six years ended January 31, 1947 and \$1,670,000 the reduced provision for federal taxes on income for the eight years ended January 31, 1955. No final disposition has yet been made of the Company's claims. It may be necessary for the Company to bring suit to establish its position.

NOTE C - NOTES RECEIVABLE

Included in notes receivable are advances totaling \$3,650,000 to January 31, 1955 on promissory notes to Northland Shopping Center, Inc. for costs in connection with the development of the Northland Shopping Center in St. Louis, which is to include

a branch store of the Company. The Company has an option to buy all of the outstanding stock of Northland Shopping Center, Inc.

NOTE D - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are as follows:

	JANUARY 31, 1955			JANUARY 31, 1954		
	Cost	Accumulated depreciation and amortization	Net	Cost	Accumulated depreciation and amortization	Net
Land	\$ 15,251,221	\$ —	\$ 15,251,221	\$ 14,605,965	\$ —	\$ 14,605,965
Buildings and building equipment substantially all on owned land	49,112,211	15,884,869	33,227,342	43,023,152	14,066,972	28,956,180
Buildings and building equipment substantially all on leased land, improvements to leased properties and leaseholds	59,580,235	24,690,417	34,889,818	53,508,522	23,401,920	30,106,602
Furniture, fixtures and equipment	32,757,993	14,031,117	18,726,876	30,303,803	12,553,709	17,750,094
	<u>\$156,701,660</u>	<u>\$54,606,403</u>	<u>\$102,095,257</u>	<u>\$141,441,442</u>	<u>\$50,022,601</u>	<u>\$ 91,418,841</u>

Details of the long-term debt are as follows:

	JANUARY 31,	
	1955	1954
2½% sinking fund debentures due July 1, 1972 (annual sinking fund requirements of \$300,000 through 1956, \$450,000 from 1957 through 1961, and \$750,000 from 1962 through 1971)	\$14,100,000	\$14,400,000
Less debentures acquired for subsequent sinking fund redemption requirements	343,000	576,000
	<u>\$13,757,000</u>	<u>\$13,824,000</u>
3¼% sinking fund debentures due February 1, 1978 (annual sinking fund requirements of varying amounts in the period 1957 through 1977)	25,000,000	25,000,000
	<u>\$38,757,000</u>	<u>\$38,824,000</u>

Each issue of debentures is subject to redemption (other than for sinking fund) at any time prior to maturity in whole or in part at the option of the Company.

Under the terms of the indenture of the 3¼% debentures due February 1, 1978, consolidated accumulated earnings retained in the business of \$51,811,462 at January 31, 1955 are not subject to any dividend restrictions.

Subsequent to January 31, 1955, the Company issued 3¼% sinking fund debentures, dated March 1, 1955 and due March 1, 1980, in the principal amount of \$25,000,000. The debentures

are subject to redemption (other than for sinking fund) at any time prior to maturity in whole or in part at the Company's option. The sinking fund provides for annual redemptions of varying amounts in the period 1959 through 1979. Under the terms of the indenture and after giving effect to the sale of the debentures: (1) consolidated accumulated earnings retained in the business of \$26,811,462 at January 31, 1955 are not subject to any dividend restrictions and (2) additional long-term borrowing, except funded indebtedness secured by certain liens, is limited to approximately \$8,500,000 at January 31, 1955.

NOTE F - CUMULATIVE PREFERRED STOCK

Details of cumulative preferred stock of no par value (carrying value \$100 a share) are as follows:

	SHARES, JANUARY 31,		AMOUNT, JANUARY 31,	
	1955	1954	1955	1954
\$3.75 series (1945):				
Authorized and issued	139,435	140,945		
In treasury	3,850	3,520		
Outstanding	<u>135,585</u>	<u>137,425</u>	<u>\$13,558,500</u>	<u>\$13,742,500</u>
\$3.75 1947 series:				
Authorized and issued	84,027	84,927		
In treasury	1,320	2,220		
Outstanding	<u>82,707</u>	<u>82,707</u>	<u>8,270,700</u>	<u>8,270,700</u>
\$3.40 series:				
Authorized and issued	107,193	108,303		
In treasury	5,455	6,565		
Outstanding	<u>101,738</u>	<u>101,738</u>	<u>10,173,800</u>	<u>10,173,800</u>
Total outstanding	<u>320,030</u>	<u>321,870</u>	<u>\$32,003,000</u>	<u>\$32,187,000</u>

The sinking fund provisions of the outstanding series of the Company's preferred stock require that, during each year ending July 1 with regard to the \$3.75 series (1945) and the \$3.40 series and during each year ending January 31 with regard to the \$3.75 1947 series, the Company retire at least one per cent of the total number of shares of each such series of preferred stock issued prior to the beginning of such year. The redemption price at February 1, 1955 and thereafter, for the \$3.75

series (1945) was \$103.50 a share, for the \$3.75 1947 series was \$100.00 a share, and for the \$3.40 series was \$103.50 a share. In the event of involuntary liquidation the holders of the preferred stocks are entitled to receive \$100.00 a share. At January 31, 1955, the restrictions on the payment of dividends on common stock were less than those imposed by the indenture relative to the 3¼% sinking fund debentures due February 1, 1978.

NOTE G - COMMON STOCK

Common stock, par value \$5 a share, authorized 10,000,000 shares:

	SHARES, JANUARY 31,		AMOUNT, JANUARY 31,	
	1955	1954	1955	1954
Issued	6,368,770	6,368,770	\$31,843,850	\$31,843,850
In treasury	469,816	527,843	2,349,080	2,639,215
Outstanding	<u>5,898,954</u>	<u>5,840,927</u>	<u>\$29,494,770</u>	<u>\$29,204,635</u>

Under the Company's Stock Purchase Plan which was adopted by the Board of Directors and approved by the common stockholders in 1951, 400,000 shares of the authorized unissued or reacquired common stock of the Company may be optioned and sold to management employees of the Company and its subsidiaries. Directors who are not employees are not eligible to participate in the Plan. On January 8, 1954, options to purchase an aggregate of 102,500 shares of common stock were

granted to 15 management employees at a price of \$28.625 a share (aggregating \$2,934,062) representing the quoted market price of the stock on the date of the grant. Each option extends to January 8, 1964 (except those of one participant totaling 10,000 shares which expire April 8, 1959), is exercisable in instalments beginning with January 8, 1955, and is subject to certain requirements of continued active employment with the Company. As of April 21, 1955, no options have been exercised.

NOTE H LONG-TERM LEASES

The Company had seventy-seven leases in effect at January 31, 1955 having terms of more than three years after that date. These leases provide for present aggregate minimum annual rentals of approximately \$2,475,000 plus, in certain instances, real estate taxes (such amounts being included in taxes) and

other expenses, and in respect of some of the minor leases, additional amounts based on percentages of sales. Of these seventy-seven leases, seven of the principal ones providing for aggregate annual rentals of \$1,190,000 pertain to four major stores; these leases expire in 1972, 1994, 1996, 2000, 2004 and 2021.

NOTE I RETIREMENT PLANS

Payments under the employees' retirement plans amounted to \$3,094,708 for the year ended January 31, 1955, and \$3,096,772 for the year ended January 31, 1954, of which \$45,812 and \$149,014, respectively, represented payments of past service

costs. It is estimated that at January 31, 1955, the aggregate amount which may ultimately be paid in respect of past service costs, if plans of certain subsidiaries continue, will approximate \$191,000; no provision therefor has been made in the accounts.

accountants' report

TOUCHE, NIVEN, BAILEY & SMART

CERTIFIED PUBLIC ACCOUNTANTS
ARCADE BUILDING, ST. LOUIS 1, MO.

April 21, 1955.

BOARD OF DIRECTORS AND STOCKHOLDERS,
THE MAY DEPARTMENT STORES COMPANY,
ST. LOUIS, MISSOURI.

We have examined the consolidated balance sheet of The May Department Stores Company and subsidiary companies as of January 31, 1955 and the related consolidated statements of net earnings, of accumulated earnings retained in the business, and of additional paid-in capital for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of net earnings, of accumulated earnings retained in the business, and of additional paid-in capital present fairly the consolidated financial position of The May Department Stores Company and subsidiary companies at January 31, 1955, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TOUCHE, NIVEN, BAILEY & SMART
CERTIFIED PUBLIC ACCOUNTANTS.

statistical summary

OPERATING STATISTICS

YEAR ENDED JAN. 31	NET SALES	FEDERAL TAXES ON INCOME	NET EARNINGS AFTER TAXES	DIVIDENDS PAID PREFERRED COMMON	EARNINGS RETAINED IN THE BUSINESS	PER COMMON SHARE NET EARNINGS	PER COMMON SHARE DIVIDENDS	
1948	\$358,014,000	\$11,311,000	\$16,713,000	\$1,070,000	\$8,128,000	\$7,515,000	\$2.87	\$1.50
1949	407,266,000	13,585,000	19,651,000	1,249,000	8,461,000	9,941,000	3.26	1.50
1950	392,915,000	12,195,000	18,092,000	1,233,000	8,731,000	8,128,000	2.90	1.50
1951	416,689,000	18,458,000	21,371,000	1,222,000	8,731,000	11,418,000	3.46	1.50
1952	424,991,000	17,200,000	15,634,000	1,216,000	10,478,000	3,940,000	2.47	1.80
1953	447,548,000	18,593,000	16,159,000	1,209,000	10,478,000	4,472,000	2.57	1.80
1954	454,149,000	17,553,000	16,490,000	1,195,000	10,478,000	4,817,000	2.62	1.80
1955	444,371,000	17,837,000	16,996,000	1,171,000	10,540,000	5,285,000	2.70	1.80

YEAR ENDED JAN. 31	FEDERAL INCOME TAXES COMMON SHARE	OPERATING EXPENSES EXCLUSIVE OF THOSE SHOWN TO THE RIGHT	DEPRECIATION AND AMORTIZATION	MAINTENANCE AND REPAIRS	TAXES, OTHER THAN FEDERAL TAXES ON INCOME	RENTAL EXPENSE	INTEREST AND DEBT EXPENSE
1948	\$2.09	\$81,566,000	\$2,537,000	\$3,136,000	\$4,196,000	\$2,033,000	\$317,000
1949	2.41	94,735,000	3,448,000	3,544,000	4,751,000	2,133,000	592,000
1950	2.10	93,011,000	4,237,000	2,636,000	5,352,000	2,186,000	469,000
1951	3.17	91,611,000	4,533,000	2,821,000	6,018,000	2,169,000	494,000
1952	2.95	96,333,000	4,906,000	3,242,000	6,279,000	2,014,000	969,000
1953	3.19	103,580,000	5,622,000	3,461,000	6,884,000	2,009,000	924,000
1954	3.01	105,645,000	5,952,000	3,587,000	6,831,000	2,078,000	1,329,000
1955	3.05	102,339,000	6,156,000	2,804,000	6,829,000	2,140,000	1,209,000

FINANCIAL STATISTICS

YEAR ENDED JAN. 31	WORKING CAPITAL	DUE FROM CUSTOMERS (NET)	INVENTORIES	LAND, BUILD- INGS AND EQUIPMENT (NET)	TOTAL ASSETS	LONG-TERM DEBT	PREFERRED STOCK	COMMON STOCKHOLDERS' INVESTMENT*
1948	\$77,457,000	\$33,462,000	\$36,232,000	\$58,656,000	\$180,293,000	\$19,231,000	\$34,310,000	\$87,408,000
1949	79,761,000	41,983,000	41,026,000	70,340,000	198,942,000	18,250,000	34,200,000	103,898,000
1950	86,773,000	45,334,000	41,393,000	72,963,000	206,476,000	17,950,000	33,550,000	114,556,000
1951	94,491,000	60,029,000	54,813,000	74,288,000	230,295,000	15,350,000	33,490,000	125,965,000
1952	91,706,000	59,095,000	49,004,000	87,855,000	241,804,000	22,544,000	33,262,000	129,923,000
1953	97,946,000	63,054,000	53,294,000	85,115,000	250,524,000	22,244,000	33,085,000	134,405,000
1954	112,690,000	65,540,000	51,135,000	91,419,000	266,641,000	38,824,000	32,187,000	140,042,000
1955	104,511,000	68,162,000	52,281,000	102,095,000	275,191,000	38,757,000	32,003,000	147,541,000

* In determining common stockholders' investment, preferred stocks have been deducted at the redemption prices plus accrued dividends.